

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Figueroa Analyst: Darrine Distefano Bill Number: SB 557
Related Bills: See Legislative History Telephone: 845-6458 Introduced Date: 02-22-2001
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Agencies Prohibited from Charging Public for Conducting Business Over the Internet

SUMMARY

This bill would prohibit a state agency from charging the public a fee or surcharge when transacting state business over the Internet.

PURPOSE OF THE BILL

According to the author's staff, the purpose of the bill is to make state government accessible, convenient, and free of charge via the Internet.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2002.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

In March of 1995, Governor Wilson issued an executive order requiring all state agencies to provide public information on the Internet. The California Government website was subsequently established. This website gives California citizens one point of access to reach all government agencies.

Franchise Tax Board (FTB) has its own website that provides taxpayers with tax information, filing and payment options and other helpful information. From the website taxpayers can download, view and print California and federal tax forms, check on refund information, find answers to tax questions and send email to the Executive Officer. The Internal Revenue Service (IRS) has a website for taxpayers to access federal tax information.

Existing federal law allows taxpayers to make credit or debit card payments for taxes (including interest and penalties), extension, and estimate payments.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

06/13/01

Existing state law requires corporate taxpayers with a tax liability over \$80,000 or that make estimated payments over \$20,000 to remit their tax payments through electronic funds transfer (EFT). The law allows other taxpayers to request EFT payments. Depending on the type of EFT payment used, the law specifies whether any associated EFT fees shall be paid by the state or may be charged to the taxpayer.

In addition, existing state law allows state agencies to accept payments of taxes, fees, etc., by means of credit cards.

FTB implemented its own Credit Card Program as a pilot in January 1999. A limited number of taxpayers received a credit card insert with their "past due" bill and were given the option to charge their tax liability. In August of 1999, the credit card payment option was expanded to include estimate payments from individual taxpayers. Beginning in 2000, the credit card program was expanded to include extensions and current year tax liability payments.

Also, FTB implemented the e-pay program (Automatic Withdrawal) in 1999. This program allows taxpayers to authorize FTB to transfer money from the taxpayer's designated bank account into FTB's bank account. Taxpayers may designate the day they want the withdrawal to be made to pay the tax due with their return(s).

FTB does not charge a surcharge or fee to the taxpayer for using either program. Both FTB and the IRS have authorized Official Payments Corporation (OPC) to accept credit card charges for federal and state taxes. OPC imposes a convenience fee that is paid directly to them. Neither FTB nor the IRS set or collect any part of these fees.

THIS BILL

This bill would prohibit a state agency from charging a convenience fee or surcharge to the public for using the Internet to conduct state business. This would include charging a fee or surcharge to cover a state agency's cost for providing credit card payments over the Internet.

IMPLEMENTATION CONSIDERATIONS

As stated above under Federal/State Law, FTB does not charge the taxpayer a fee for using a credit card to pay taxes under the Credit Card Program or e-pay program. Consequently, implementation of this bill would not significantly impact the department.

LEGISLATIVE HISTORY

AB 1374 (Speier, Ch. 926, Stats. 1995) requires all state agencies to accept payments made by credit card or other payment device.

OTHER STATES' INFORMATION

Florida allows its corporate taxpayers to send estimated tax payments through the EFT program.

Illinois, New York, Massachusetts, and Minnesota allow taxpayers to pay their taxes with a credit card or through an automatic withdrawal from the taxpayer's bank account.

Michigan allows taxpayers to have their tax refund directly deposited into a bank account.

These states were reviewed because of the similarities between California income tax laws and their tax laws.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

Darrine Distefano
Franchise Tax Board
845-6458

Brian Putler
Franchise Tax Board
845-6333